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MASSACHUSETTS' AFFORDABLE HOUSING LENDER

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MHFA 1997

Massachusetts Housing Finance Agency



To the People of Massachusetts:

The Massachusetts Housing Finance Agency's affordable housing finance programs are an important resource for the citizens of Massachusetts and an example of how partnerships between the public and private sector can benefit low- and moderate-income people while generating economic activity.

Throughout the state, MHFA's affordable rental and home-ownership programs are enabling working families to purchase their first home, frail elders to remain independent, lenders to reach new markets and developers to maximize opportunities in niche areas. This Administration supports the important efforts of MHFA which is working hard to bring needed affordable housing to low- and moderate-income families and economic activity to communities throughout the state.

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A. Paul Cellucci
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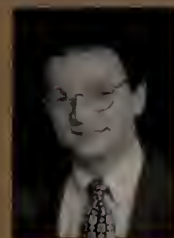
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MHFA *Mission*

The Massachusetts Housing Finance Agency will be the leading provider of affordable housing resources in Massachusetts. Our purpose is to provide affordable homeownership and rental housing opportunities for low- and moderate-income Massachusetts residents who are underserved by conventional markets.

We will achieve our goals by adhering to the following principles:

- ⊙ Use private capital to produce, preserve and expand access to safe, secure and attractive affordable housing.
- ⊙ Work together with other private and public entities who share our vision of high-quality, sustainable affordable housing.
- ⊙ Strive to understand and respond to the needs of our customers.
- ⊙ Seek opportunities to collaborate with businesses and residents to integrate affordable housing with other programs and policies that promote economic and social self-sufficiency.
- ⊙ Respond to changing housing needs and varying levels of government support with creative and cost-effective solutions.
- ⊙ Aggressively manage MHFA and other public assets with uncompromising integrity and efficiency.

1997

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Who We Are

MHFA was created in 1966 by state legislation as a self-supporting organization to address the lack of decent, safe and affordable housing in Massachusetts. Since that time, we have enabled tens of thousands of low- and moderate-income people to buy their first homes, make improvements to a home they already own, or rent affordable apartments.

What We Do

MHFA offers a variety of housing finance resources. To fund its homeownership programs, MHFA sells federally authorized bonds on the open market to private investors. For its rental programs, MHFA utilizes bond proceeds in combination with other public and private sector resources to finance the creation and preservation of multifamily housing. MHFA also focuses on developing programs in niche housing markets for those with special needs such as very-low-income families, frail elders, and those with disabilities.

Track Record

As of January 1, 1997, MHFA has invested \$5.2 billion in the cities, towns and neighborhoods of Massachusetts. By leveraging private capital and federal subsidy to produce, preserve and expand access to safe affordable housing, 34,142 families have been able to buy or repair a home, and 71,702 mixed-income rental units have been created. In recognition of its single and multifamily portfolio management, MHFA is one of only a handful of housing finance agencies to achieve a "top-tier" rating from Standard & Poor's Corporation and General Obligation Bond Ratings of "A" from both S&P and Moody's Investors' Corporation.

Looking Forward

MHFA has developed a Strategic Plan over the past year which analyzes and begins to address the financial and programmatic challenges that lay ahead due to changing housing market conditions and the dramatic changes in federal housing subsidy programs. To respond to this dynamic environment and better identify future affordable housing opportunities, MHFA has reorganized itself into three main business areas: Single Family, Multifamily Development and Multifamily Asset Management. Our primary goal is to better serve our customers and respond to their needs. We look forward to the road ahead and what MHFA can bring to the future affordable housing market. By planning now to meet the challenges of tomorrow, MHFA will remain Massachusetts' leading housing finance lender.



A stylized, handwritten signature of Steven D. Pierce in dark ink.

Steven D. Pierce
Executive Director



A stylized, handwritten signature of Michael J. Dirrane in dark ink.

Michael J. Dirrane
Chairman

Total Investment

- \$5,240,000,000
- 34,142 families helped to purchase/repair homes with \$2.15 billion in MHFA financing
- 71,702 mixed-income units created with \$3.08 billion in MHFA financing

By Region

Region	Rental Loans	# of Properties	# of Units	Home Mortgages	# of Loans	Total
City of Boston	\$951,087,603	170	18,770	\$272,161,451	3,874	\$1,223,249,054
Greater Boston	\$950,830,778	185	22,027	\$602,299,365	8,904	\$1,553,130,143
Northern	\$261,966,949	44	5,680	\$259,099,842	4,104	\$ 521,066,791
Southeastern	\$339,172,645	82	9,411	\$393,019,002	6,260	\$ 732,191,647
Central	\$275,257,107	46	7,007	\$236,995,319	3,923	\$ 512,252,426
Western	\$304,553,820	72	8,807	\$392,809,280	7,077	\$ 697,363,100

By Community

MHFA-financed single family homes and rental developments are located in hundreds of urban, suburban and rural communities across the state:

Urban:

58.7%

Suburban:

24.7%

Rural:

16.6%

Economic Impact

By the close of 1996, MHFA's investment in affordable housing in Massachusetts topped \$5.2 billion and generated:

\$242 million in operating revenues annually by the MHFA permanently financed rental developments

&

\$32 million in local real estate taxes and \$9.3 million in state and federal taxes annually

1996 in review

- Record \$290 million in loan commitments helps 3,128 low- and moderate-income families achieve the dream of homeownership.
- In-house mortgage servicing business launched to provide specialized customer service to more than 6,000 MHFA-financed buyers.
- MHFA's Elder CHOICE program finances the creation of four new assisted living developments for frail elders of mixed-incomes: captures prestigious Innovations in American Government Award.
- Road paved to begin renovation on 1,900 HUD-foreclosed units in Boston inner-city neighborhoods through the federal Demonstration Disposition Program.
- New financing products result in the creation and preservation of hundreds of affordable rental housing units.
- Comprehensive analysis begins on MHFA's SILARP rental housing portfolio to develop long-term work-out strategies and assure financial stability.

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MHFA makes homeownership more affordable.

MHFA's affordable homeownership programs are focused solely on low- and moderate-income buyers or owners not adequately served by conventional lenders. These programs provide a package of resources to assist first-time buyers overcome major hurdles to homeownership, including lower rates and more flexible underwriting guidelines – or for cash-strapped homeowners – help with needed improvements or lead paint removal or septic system repairs. MHFA's assistance to low- and moderate-income owners doesn't end with the mortgage. MHFA's in-house servicing provides personalized customer assistance tailored to the specific needs of these borrowers. Further, MHFA's award-winning foreclosure prevention program offers one-on-one counseling and work-out options which promote responsible homeownership for the long-term.

Homebuyer Programs

MHFA first-time homebuyer mortgages are distributed through participating lenders to qualified low- and moderate-income borrowers who are credit-worthy and meet MHFA income and purchase price guidelines. To date, MHFA has provided \$2.15 billion which has enabled 31,834 households to:

- ✓ Buy their first home
- ✓ Participate in homeownership classes in order to make informed purchasing decisions

Home Improvement Programs

MHFA's specialized home improvement programs are geared toward homeowners who must make repairs but cannot, because of their incomes, access the conventional financing to do so. To date, MHFA has provided \$39.8 million which has enabled 2,308 homeowners to:

- ✓ Remove dangerous lead paint from their homes
- ✓ Correct code violations and make energy efficiency improvements
- ✓ Repair or replace failing septic systems

Benefits of MHFA Financing

- Reduced interest rates
- Low 3% and 5% downpayment requirements
- Favorable underwriting guidelines
- Rehabilitation financing options
- Access to MHFA's affordable mortgage insurance products
- Opportunities for homeownership counseling
- 0, 1, and 2 point options on programs



Consumer Hotline
(617)854-1020



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www.mhfa.com

Planning Today *Strategy for the Future*

MHFA's Strategic Plan positions the Agency to aggressively compete in the affordable housing arena. For MHFA's Single Family Business areas, key elements of MHFA's Strategic Plan include:

- ⊙ Meeting the needs of underserved market segments
- ⊙ Reducing complexity and standardizing program processes
- ⊙ Streamlining mortgage underwriting to emphasize fast customer-friendly and cost-effective approaches
- ⊙ Continuing to maximize use of federal homeownership resources, including the Mortgage Revenue Bond Program

MHFA Borrower Profile

Based on first-time homebuyers over the last three years:

Average Purchase Price

\$97,976

Downpayments of 5% or less

57%

Median Income

\$35,580

Informed Purchasing Decisions

By educating themselves on what it takes to buy, own, and maintain a house, Randall and Francis Jenkins of Fall River were better able to decide on a home that was right for them. The Jenkins family, former residents of public housing, are graduates of MHFA's Homebuyer Counseling Program and new homeowners. The program provides low-interest MHFA loans to qualified graduates of the course and is offered through non-profit organizations throughout the state, including the Fall River Housing Corporation, which assisted the Jenkins family to buy their first home.



Q & A

How do MHFA's mortgage programs differ from conventional lenders?

Low- to moderate-income borrowers are MHFA's only customers. Everything that MHFA does— from its underwriting standards to its range of services— is done to help low- and moderate-income families become successful homebuyers and homeowners.

How does MHFA fund mortgages?

Through the federally authorized Mortgage Revenue Bond Program, MHFA issues tax-exempt bonds to private investors. The private sector investment is then channeled— in the form of loans— to low- and moderate-income buyers or owners through MHFA's network of lenders.

What is the volume of MHFA mortgage financing?

Last year, MHFA made a record mortgage commitment of \$290 million, representing 3,128 mortgages. Cumulatively, 34,142 low- and moderate-income families have been served by MHFA's affordable homeownership programs.

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MHFA finances affordable rental housing.

MHFA's programs play an important and unique role in the creation of needed mixed-income rental housing throughout the state. MHFA is able to finance these developments by combining tax-exempt or taxable bond financing with other public and private sector resources, such as the federal Low Income Housing Tax Credit, to create attractive and affordable places to live. As a requirement of MHFA financing, developments reserve at least 20% of the units for low-income households at affordable rents.

MHFA's rental finance programs provide a menu of resources to meet a variety of affordable housing needs. As the large-scale government subsidies of the past diminish, affordable housing is becoming more thinly subsidized, time-sensitive and market-driven. Within this environment, MHFA is working aggressively to offer the most competitive and responsive package of rental housing products available.

Benefits of MHFA Financing

- Below-market-rate interest rates
- 30-40 year terms
- Non-recourse financing
- 91% loan-to-value ratio
- Flexible underwriting guidelines
- Construction, preservation and bridge financing
- Technical assistance
- 1.10 - 1.15 debt service coverage
- 4% Low Income Housing Tax Credit

Rental Housing Programs

MHFA's rental housing finance programs have provided \$3.08 billion in permanent and construction financing to create 71,702 units in 599 developments throughout the state. These programs offer incentives to both private and non-profit developers of affordable housing to develop:

- ✓ Assisted living residences for frail elders that offer an affordable component
- ✓ Affordable rental housing – including previously all-market-rate developments – in which 20% of the units are reserved for low-income residents
- ✓ Community-based housing options for former residents of state hospitals and training schools
- ✓ A national model of rehabilitation that will return deteriorating HUD-foreclosed housing to productive use and resident control



**For More Information
(617)854-1358**



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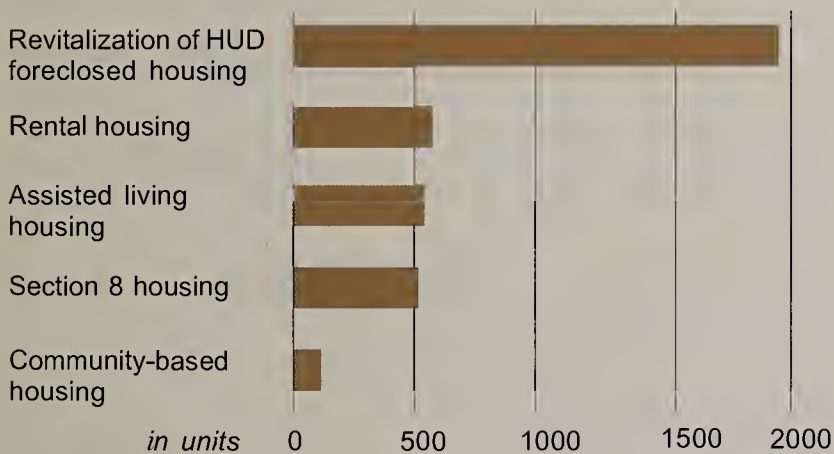
Planning Today *Strategy for the Future*

Based on the market analyses conducted as part of MHFA's Strategic Planning process, there exists a continuing need for affordable rental housing throughout Massachusetts. With this in mind, specific recommendations have been developed to restructure MHFA's rental programs to deliver a more flexible product while managing risk responsibly. Key elements of the plan include:

- ⊙ **Promoting MHFA's competitive advantages of low interest rates, access to comprehensive permits and non-recourse debt**
- ⊙ **Continuing to explore and develop niche loan programs to address unmet needs**
- ⊙ **Maximizing use of federal housing resources such as HOME funds and the Low Income Housing Tax Credit Program**
- ⊙ **Streamlining the underwriting process to produce faster loan approvals**

New Production Profile

MHFA's multifamily pipeline (from application through first year of operation) currently includes 3,581 units.



Meeting Critical Needs

Frail elders like Sadie Lazarus and Rose Brennan are discovering that assisted living housing – such as the Cohen Florence Levine Estates in Chelsea – provides the supportive services they need to remain independent. Recognizing MHFA's efforts in the assisted living field, the Ford Foundation and Harvard University selected MHFA's Elder CHOICE financing program as a winner in its 1995 Innovations in American Government Awards competition.



Q & A

Why should a community consider MHFA-financed housing?

MHFA-financed developments are considered toward a community's affordable housing goals which are established by state law. Using an MHFA financing product and the comprehensive permit process, MHFA-financed housing can provide a financially feasible and collaborative way for communities to create more affordable housing opportunities.

How does MHFA fund its rental loans?

MHFA funds its rental loans by selling tax-exempt or taxable bonds on the open market. Increasingly, these funds are combined with federal resources, such as Low Income Housing Tax Credits or HOME funds, to finance affordable rental housing opportunities.

What is the volume of MHFA rental financing?

To date, MHFA has provided \$3.08 billion for the creation of 599 developments in hundreds of communities across the state.

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Benefits of Asset Management

MHFA maintains quality affordable housing.

Ensuring the viability of MHFA's existing rental portfolio is as important as creating new housing. MHFA's Multifamily Asset Management initiatives provide specifically designed quality control measures which address the complex needs of individual developments. Efficient oversight through regular site visits, annual project management reviews and capital needs assessments makes MHFA's rental portfolio a strong performer and allows it to withstand the tests of a changing housing market. These initiatives also offer a range of flexible resources to owners of older MHFA-financed developments which are home to hundreds of low- and moderate-income residents.

- Comprehensive, pro-active approach to asset management
- Customized solutions to problems
- Experienced staff knowledgeable in recapitalization options and federal subsidy programs
- Technical assistance
- Streamlined oversight process
- Competitive financing packages

Programs for Owners

With 463 permanently financed developments, MHFA's rental portfolio is one of the largest in Massachusetts. To maintain the financial and physical integrity of this housing stock, MHFA works aggressively to:

- ✓ Preserve long-term affordability and fiscal viability, particularly for "expiring use" developments
- ✓ Provide "work-out" options for at-risk or delinquent properties to prevent foreclosure
- ✓ Develop and manage effective solutions to physical problems
- ✓ Identify federal, state, local and other resources to assist troubled developments



For More Information
(617)854-1142



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www.mhfa.com

Programs for Residents and Property Managers

The overall health of a property also involves residents and managers and MHFA's asset management initiatives provide resources that not only promote quality of life, but protect MHFA's financial investment. Resources include:

- ✓ Resident security
- ✓ Youth programs
- ✓ Substance abuse prevention initiatives
- ✓ Inner-city task forces bringing together residents, managers, law enforcement, and social service advocates

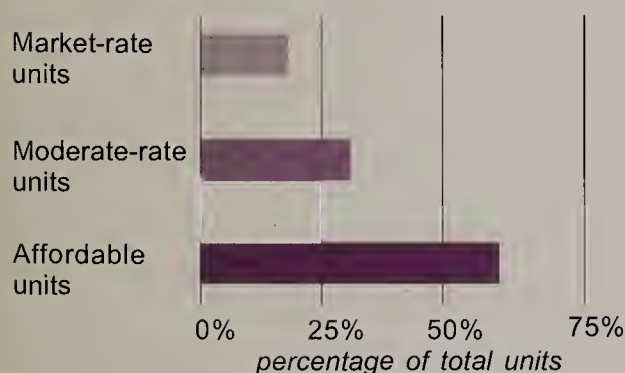
Planning Today *Strategy for the Future*

As MHFA's portfolio of multifamily properties expands and matures, the availability of federal subsidies and resources will fluctuate. MHFA's Strategic Plan challenges the Agency to develop innovative solutions and financing products to preserve older developments in its portfolio by:

- ⊙ **Adapting an aggressive, yet flexible asset management policy to reflect the varied nature of MHFA's multifamily portfolio**
- ⊙ **Structuring policies and procedures that respond to the amount of affordable housing and the level of financial exposure in a project**
- ⊙ **Maximizing use of federal housing resources such as the HOME and Low Income Housing Tax Credit Program to preserve affordable housing over the long-term**
- ⊙ **Working collaboratively with owners/managers to develop solutions to common problems**

MHFA Rental Portfolio Profile

MHFA's 463 permanently financed developments are located in 130 communities throughout the state.



Preserving Affordable Housing

The Pelletier family are residents of Allen Park in Springfield, one of many mixed-income rental developments in MHFA's portfolio that have received assistance through the federal Low Income Housing Tax Credit Program. At Allen Park, tax credits were part of a larger package of financial resources that enabled low- and moderate-income residents to purchase and rehabilitate the development.



Q & A

Q: Is financing available for repairs and capital improvements for older MHFA properties?

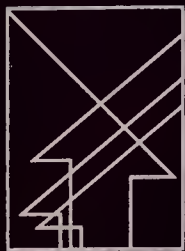
A: Yes. MHFA customizes its financing packages based on need through refinancings, MHFA energy loans or mortgage increases in combination with federal and state resources such as HOME funds and Low Income Housing Tax Credits.

Q: How is MHFA addressing the threat of "expiring use" of older housing?

A: MHFA seeks to work with owners of older assisted housing who are eligible to pre-pay their mortgages. By offering incentives such as refinancing and rehabilitation packages, MHFA offers flexible alternatives to pre-payment which can threaten a development's long-term affordability.

Q: As a lender, why does MHFA provide community services?

A: Efforts like the Tenant Assistance Program—which addresses alcohol and other substance abuse issues—enhance quality of life for residents, help managers problem-solve rather than evict, and reduce property damage, while protecting MHFA's investment in affordable housing.



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